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# Central Intelligence Bulletin

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INDIA-IRAN: India and Iran have concluded a major trade agreement that, according to Indian sources, will go a long way toward ensuring India's oil requirements. In return, India will supply cement, steel products, rail cars, machinery, and fishing trawlers. India will also receive two credits totaling $370 million to expand iron ore mining operations and alumina production. When these projects are complete, India will supply Iran with 2.5 million tons of iron ore pellets and 100,000 tons of alumina per year for 20 years. Neither the amount of crude oil involved nor the credit terms for the loans were made public. Although Iran's minister of economy claims that the agreement did not involve any "concessionary" price, the agreed price will probably be below the posted price. Iran already supplies 60-65 percent of India's crude imports.

Iran also agreed to help finance an expansion of the capacity of India's Madras refinery from 2.8 million to 3.5 million tons per year. The Madras refinery is owned jointly by the Indian Government, National Iranian Oil, and American International Oil.

In addition, India's balance-of-payments problem will be considerably eased because India will be allowed to pay part of its oil import bill with future exports to Iran. By providing 65,000 tons of steel and 300,000 tons of cement to Iran, however, India could aggravate its already critical domestic shortage of both products.

From the Shah's standpoint, the deal with India has a number of attractive features. In the short run, it provides Iran with some badly needed industrial goods and reinforces Tehran's interests in foreign refining operations. For the longer term, it helps Iran shore up its source of supply for its ambitious steel and aluminum output plans. These plans call for Iran to be an important exporter of steel and aluminum products--a goal which could bring Tehran into competition with New Delhi in years to come.

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**TUNISIA:** President Bourguiba marked his return home on February 23 with a statement announcing plans for a rigorous schedule in coming weeks. Bourguiba said he would preside over ceremonies in observance of the 40th anniversary of Tunisia's ruling party early next month, undertake a series of provincial visits, and finally make a tour of Arab states in April.

The 70-year-old Bourguiba, who spent a month resting and undergoing medical examination and treatment in Zurich, risks endangering his health if he goes ahead with these plans. Moreover, the absence of the President from Tunis would leave the field open for more of the high-level political maneuvering that marked Bourguiba's recent stay in Switzerland.

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LIBYA - EASTERN EUROPE: Libya recently has signed agreements that would significantly increase its oil exports to Eastern Europe. These agreements could bring total Libyan direct oil exports to Eastern Europe up to 140,000 bpd during 1974--double the amount shipped last year. However, these deliveries still would represent less than 10 percent of Libya's probable oil exports this year. Eastern Europe will continue to rely on the Middle East--primarily Iran and Iraq--for 15-20 percent of its oil imports.

Poland and Romania earlier this month signed long-term agreements with Tripoli to secure oil on a barter basis. During the visit to Libya of Romanian President Ceausescu, the two sides agreed that Bucharest would import 60,000 bpd of Libyan crude through 1977. At present prices, the value of such oil would exceed $1 billion. Romania will build an oil refinery and supply technical services for Libya's oil sector. Bucharest also will supply Libya with 4 million tons of cement and will participate in housing and agricultural projects. Libya may not fully honor the agreement; last year, Tripoli suspended oil deliveries in a dispute over the terms of a 1972 barter agreement with Romania.

Poland will provide equipment and services in exchange for increasing, but unspecified, quantities of oil through 1980. Poland will import 20,000 bpd of Libyan oil in 1974, reportedly at a price as high as $16 per barrel. Hungary and Bulgaria also are reported to have agreed to this price in January for 10,000 bpd each of Libyan oil to be delivered this year. Finally, Prague signed a five-year trade agreement with Libya in mid-February providing for the supply of Czechoslovak equipment and goods, probably in return for oil. [redacted] 25X1



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JAPAN: Signs of an economic slowdown continue to appear. Industrial production apparently declined in January for the second straight month, although output remained well above the January 1973 level.

The downswing was most evident in the automobile and investment goods industries. Motor vehicle production declined 8.5 percent from December, pulled down by a 10.8-percent drop in passenger car output. Production of crude steel slipped 2.7 percent. Meanwhile, orders for machine tools, a leading indicator of investment spending, plummeted 12 percent to a level 37 percent below January of last year.

Real gross national product still may increase by as much as 5 percent in 1974, but not unless Tokyo relaxes its fiscal and monetary policies. Such an increase would be less than half Japan's long-term average, but it would surpass this year's gains in most other industrialized countries.

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NEW ZEALAND: The two-day ANZUS Council meeting opening in Wellington today will probably lack the camaraderie that until recently marked the alliance of the US, Australia, and New Zealand. This is the first session since Labor governments took office in Australia and New Zealand over a year ago. The desire of both governments to pursue more independent foreign policies has led them to adopt a critical stance toward ANZUS.

New Zealand Prime Minister Kirk's advocacy of a nuclear-free zone in the South Pacific may develop into a point of contention. The US and Australia see this proposal as impractical at this time. Although Kirk is aware of these reservations, his strong moral commitment to a nuclear-free zone may impel him to push the idea.

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<u>ROMANIA</u>: Bucharest apparently plans to give higher priority to consumer welfare in the 1976-1980 economic plan. In a recent interview with a French correspondent, President Ceausescu implied that overall industrial growth, the highest in Eastern Europe, will be cut back in favor of consumer industries and agriculture. This adjustment would bring Romania into line with the rest of Eastern Europe in demonstrating greater responsiveness to consumer interests.

This move will represent a radical change from current economic policy. In the current five-year plan (1971-1975), industrial development has a much higher priority than consumer welfare. Moreover, the consumer has been asked to bear the burden of energy conservation measures.

Ceausescu probably sees a political need to improve the consumer's status. Moreover, by the end of 1975, debt service problems induced by an extremely large amount of machinery and equipment imports from the West may be severe enough to reduce industrial expansion. Bucharest's debt to the West increased sharply last year, and several major deals are being postponed.

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ARGENTINA-CUBA: The Argentine Government has sent a large delegation of businessmen and labor representatives to Cuba to promote trade relations. The delegation, headed by Economics Minister Jose Gelbard, also will discuss plans for Argentine participation in an international trade exposition to be held in Cuba next July.

The visit coincides with the arrival in Cuba of the first shipment of Argentine products, chiefly agricultural machinery, under the terms of the export credit granted by the Argentine Government last August. Cuba has already signed contracts worth over $260 million with some 22 firms. Fiat-Concord alone has contracts valued at over $200 million for trucks, automobiles, and railroad equipment.

A major problem for the US in the growing Cuban-Argentine trade is Buenos Aires' intention to include as many as 50,000 vehicles manufactured in Argentina by US subsidiaries. The Argentine Government is continuing its pressure on US companies to export to Cuba, and these firms face serious reprisals, including restrictions on sales in Argentina, if they refuse.

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USSR: Natalya Solzhenitsyn reportedly is delaying her departure from Moscow until she has finished "smuggling" out important documents from her husband's archives [redacted] 25X1 sources, this is not expected to take very long. In announcing Solzhenitsyn's banishment two weeks ago, Soviet authorities stated that his family would be allowed to join him "as soon as it considered this essential." Although no official definition of his family group has been published, the Western press has widely interpreted this as including Mrs. Solzhenitsyn's mother, her 11-year-old son by a former marriage, and the couple's three boys, all under four. [redacted] 25X1

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